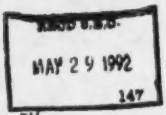
0-22141
a-35427



15
2

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

P 92-2240

Quarterly Report Under Section 13 or 15 (d)
of the
Securities and Exchange Act of 1934

P 31-92

For the Three Months Ended
January 31, 1992

Commission File Number 33-4734-D

PACE GROUP INTERNATIONAL, INC.
Registrant

AN OREGON CORPORATION
(State of Incorporation)

93-0950786
(Federal I.D. No.)

2020 SW Fourth Avenue
Portland, Oregon 97201
TELEPHONE: (503) 226-7223

L30
PROCESSED BY
15-15-I
JUN 4 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

BEST COPY
AVAILABLE

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Quarterly Report Under Section 13 or 15 (d)
of the
Securities and Exchange Act of 1934

For Three Months Ended
January 31, 1992

Commission File Number
33-4734-D

PACE GROUP INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in its Charter)

OREGON
(State of Incorporation)

93-095078
(Federal I.D. Number)

2020 SW Fourth Avenue, Portland, OR
(Address of Principal Executive Offices)

97201
(Zip Code)

(503) 226-7223
(Registrants Telephone Number)

Indicate by check mark whether the Registrant (1) has filed all reports to be filed by Section 13 or 15 (d) of the Securities Act of 1934 during the preceding 12 months (or for the shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES √ NO ____

The number of shares outstanding of each of the Issuer's classes of Common Shares, as of the latest practicable date:

$.0001 Par Value
Common Shares
(Class of Securities)

5,800,531 Common Shares
Outstanding at January 31, 1992
(Outstanding Securities)

PACE GROUP INTERNATIONAL, INC.

CONTENTS

PART I: FINANCIAL INFORMATION

		Page
Item 1.	Financial Statements	
	Condensed Balance Sheets: January 31, 1992 and October 31, 1991	5
	Condensed Statements of Operations for the three months ended January 31, 1992 and for the three months ended January 31, 1991	6
	Statement of Changes in Stockholders' Equity for the three months ended January 31, 1992 and for the three months ended January 31, 1991	7
	Consolidated Statements of Cash Flow for the three months ended January 31, 1992 and for the three months ended January 31, 1991	8
	Notes to Condensed Financial Statements	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	12

PART II: OTHER INFORMATION

	Exhibits and Reports on Form 8-K	14

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

PART I: FINANCIAL INFORMATION

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

CONDENSED BALANCE SHEETS

	January 31, 1992 (Unaudited)	October 31, 1991 (Audited)
CURRENT ASSETS		
Cash	$ 64,311	$ 33,577
Accounts receivable (Net)	299,035	269,704
Other Receivables	- 0 -	5,000
Other	8,823	11,789
TOTAL CURRENT ASSETS	372,169	320,070
Property and equipment at cost	2,922,920	2,915,197
Less accumulated depreciation and amortization	<2,591,850>	< 2,560,299 >
NET PROPERTY	331,070	354,898
Inventory	137,437	138,895
Capitalized production costs	877,475	883,119
Deposits and other assets	21,820	17,720
TOTAL ASSETS	$ 1,739,971	$ 1,714,702

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts Payable	$ 62,540	$ 74,140
Accrued Liabilities	101,440	137,446
Current Portion of L/T Debt	488,009	526,982
Current Portion of Deferred Revenues	106,154	119,860
TOTAL CURRENT LIABILITIES	758,143	858,428
Long-Term Debt	549,771	450,722
Production cost advances from investors	525,000	525,000
Deferred Revenues, etc.	165,000	165,000
Commitments and contingencies		
TOTAL LIABILITIES	1,997,914	1,999,150
STOCKHOLDERS' EQUITY		
Common Stock	580	580
Paid-In Capital	543,580	543,580
Retained Earnings < Deficit >	< 828,608 >	< 828,608 >
Current Year's Earnings	26,505	
TOTAL STOCKHOLDERS' EQUITY	< 257,943>	< 284,448>
TOTAL	$ 1,739,971	$ 1,714,702

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

CONDENSED STATEMENTS OF OPERATIONS

For the Three Months Ended January 31, 1992
and
For the Three Months Ended January 31, 1991
(unaudited)

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
REVENUES		
Sales of products, services, and royalties	$ 318,202	$ 770,502
Less: Operating costs	< 191,235 >	< 409,112 >
GROSS PROFIT	126,967	361,390
EXPENSES		
Marketing	18,586	21,742
General administration	110,818	90,826
TOTAL	129,404	112,568
OPERATING <LOSS>/GAIN	< 2,437 >	248,822
OTHER INCOME (EXPENSES):		
Interest expense (net)	< 15,554 >	<20,012>
<LOSS>/GAIN	$ <17,991>	$ 228,810
Extraordinary Income:		
Gain on Debt Restructure	44,496	-0-
Income before provision for income taxes	$ 26,505	$ 228,810
Provision for income taxes	< 6,336>	<124,102>
Income before extraordinary item	$ 20,169	$ 104,708
Extraordinary item:		
Tax benefit resulting from use of net operating loss carryforward	6,336	124,102
Net income	$ 26,505	$ 228,810
Net income per share:		
Income before extraordinary item	$ .004	$ .018
Extraordinary item:		
Tax benefit resulting from use of net operating loss carryforward	.001	.021
Net income per share	$ .005	$ .039

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the Three Months Ended January 31, 1992
and
For the Three Months Ended January 31, 1991
(unaudited)

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
CURRENT STOCK		
Balance at November 1	$ 580	$ 580
Issuance of stock	-0-	-0-
Balance at January 31	580	580
ADDITIONAL PAID-IN CAPITAL		
Balance at November 1	543,580	543,580
Paid in	-0-	-0-
Balance at January 31	543,580	543,580
RETAINED EARNINGS < DEFICIT >		
Balance at November 1	< 828,608 >	< 1,080,476 >
Net gain for the period	26,505	228,810
Balance at January 31	< 802,103 >	< 851,666 >
TOTAL STOCKHOLDERS' EQUITY	$ < 257,943 >	$ < 307,506 >

See accompanying notes.

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the Three Months Ended January 31, 1992 and January 31, 1991

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the period	$ 26,505	$ 228,810
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,551	30,332
< Increase > decrease in:		
Accounts receivable	<24,331>	77,285
Inventory	-0-	246
Other assets	2,966	3,148
Increase < decrease > in:		
Accounts payable	<11,600>	<37,689>
Accrued liabilities	<36,006>	<18,187>
Current portion—long-term debt	<38,973>	<89,829>
Deferred revenue	<13,706>	-0-
Net cash provided by operating activities	<63,594 >	194,116
Cash flows from investing activities:		
Purchase of equipment	<7,723>	<6,931>
Decrease of capitalized production costs	5,644	86,004
Decrease in inventory	1,458	1,342
<Increase>/decrease in other assets	< 4,100 >	12
Net cash (used) provided by investing activities	< 4,721 >	80,427
Cash flows from financing activities:		
Long-term debt—proceeds	250,000	-0-
Principal payments on long-term debt	<150,951>	<31,091>
Net cash provided (used) by finance activities	99,049	<31,091>
Net increase in cash	30,734	243,452
Cash at beginning of period	33,577	32,143
Cash at end of period	$ 64,311	$ 275,595

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

January 31, 1992

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS
January 31, 1992

Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The company consists of Pace Group International, Inc. and its wholly-owned subsidiary, Pace International Research, Inc. The two principal activities of the company consist of (1) authoring, publishing, printing, and distribution to a worldwide market of English-langage-training (ELT) materials and (2) furnishing video post-production services for commercial, industrial, and entertainment enterprises, as well as utilizing those services for production of its own ELT programs.

Since the company is now publishing its own material, it is now accounting for inventories kept at various locations. The costs of video production materials for its own use and for product sales are capitalized as incurred. Such costs are amortized over the estimated revenue-producing time deemed appropriate for the subject-matter contents in relation to the revenue received from the sales of the materials.

On August 5, 1988, Pace International Research, Inc. (PIR), the Company's wholly-owned subsidiary, entered into voluntary bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in the District of Oregon. It filed its disclosure statement and plan of reorganization on December 5, 1988. The court approved the plan of reorganization, which became effective July 23, 1989.

In September 1991 the Company entered into an agreement with YBM, Inc. for the marketing of Company products in the U.S. and Latin America. This agreement provides that the Company pay a commission to YBM, Inc. on all related sales. YBM, Inc. is headquartered in the Company's offices. YBM, Inc. reimburses the Company for certain costs associated with use of Company offices including accounting and related functions.

Note 2: CONDENSED FINANCIAL STATEMENTS

The accompanying financial statements are furnished pursuant to the Securities and Exchange Commission, Regulation S-X. In the opinion of management, all adjustments necessary for fair presentation have been included. The accompanying financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's Form 10-K for the period ended October 31, 1991.

Note 3: RELATED PARTY TRANSACTIONS

A substantial portion of debt due to the board chairman and major shareholder of almost $354,000 is included in the long-term debt portion of the balance sheet. Accrual of most of the interest on the notes has been suspended for the past three years as at present.

Note 4: PROFIT-SHARING ARRANGEMENTS

Profit-sharing arrangements entered into with two parties, who invested $525,000, the details of which were previously reported in the Form 10-K filed on January 29, 1988 and incorporated herein by reference, still remain in effect. The ultimate results of this arrangement is indeterminable at this time. No profit has been generated from the limited sales of the products.

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

January 31, 1992

LIQUIDITY AND CAPITAL RESOURCES

The investment required for a state-of-the-art video post-production studio is substantial. Because of the lack of readily available capital, much of the equipment used in the video facility was acquired on capital leases which have been paid. Production of English-language-training materials also requires a substantial investment before an income stream begins to flow from sales and licensing of such production. Consequently, the Company's working capital continues to be strained, notwithstanding the relief granted by the Chapter 11 proceedings.

By reason of the foregoing, and as stated in the notes to the financial statements, the financial condition of the Company continues to be precarious. Being under the protection of Chapter 11 enabled the Company to carry on with careful financial management. A substantial portion of cash used for current operations is provided by the video post-production studio. Working capital at January 31, 1992 was negative $385,974 as compared with a negative $538,358 at October 31, 1991.

Certain items of video equipment were declared surplus and sold. The Company continues to seek buyers for some selected items. Video equipment, previously being rented, was purchased in July 1991 costing approximately $133,000. Payment for said equipment will be made in 36 monthly installments and the Company's savings in rental expenses will be substantial.

A substantial portion of capitalized production costs at January 31, 1992 and 1991 related to products which have experienced limited sales. The Company is in the process, through an agreement with YBM, Inc., to establish distribution channels to market its products.

In some instances modifications to existing productions may be made for a particular market segment, such as another language, territory, licensee, etc. In some instances where the amount expended for the modification is meaningful, the costs are capitalized and amortized in relation to sales for that particular product or market segment.

In November 1991, the Company obtained a $250,000, 10.75%, loan from YBM, Inc. which is to be repaid in 25 equal monthly installments including interest. The Company is also attempting to obtain financing from other sources.

RESULTS OF OPERATIONS

Gross revenues for the the three months ended January 31, 1992, were about $452,000 less than for the same period in 1991. While post-production fee income was about $50,000 greater at January 31, 1992 than at January 31, 1991, a one-time $500,000 sale of the right to produce and sell products of the Company to an Asiatic firm with whom the Company has done business for many years was recognized in the first quarter 1991.

Operating costs were approximately $218,000 less at January 31, 1992 than in 1991, mostly by reason of extraordinary costs associated with the aforementioned $500,000 sale, to-wit: foreign taxes of $94,000 and amortization of capitalized production costs of about $133,000. While direct labor costs were about $27,000 less for the three month period ending January 31, 1992, than in 1991, due to a reduction in staff, sub-contractor expenses were about $10,000 more in 1992 than in 1991. Outside rentals were approximately $12,000 less at January 31, 1992 than in 1991 due to the cancellation of an equipment rental agreement.

Marketing expenses were approximately the same for the quarters ending January 31, 1992 and 1991; however, direct labor costs and advertising expenses decreased by about $3,000 in 1992.

General administration costs were about $20,000 higher at January 31, 1992 than in 1991, due mainly to increased direct labor costs of approximately $12,000 and professional fees of approximately $14,000.

Interest expense was about $4,000 less than that of the prior period in 1991 due to continued debt reduction.

In November 1991, upon obtaining a loan for $250,000, the Company entered into negotiations with the remaining creditors under Classes 4 and 13, pursuant to the Plan of Reorganization, and negotiated discounted cash settlements with certain of the creditors in full satisfaction of principal and interest due. Debts totalling $127,915 were settled for $83,419, resulting in a savings to the Company of $44,496, which gain is recognized as extraordinary income (see Condensed Statements of Operations).

PART II: OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K:

No reports on form 8-K were filed during the period October 31, 1991 to January 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto authorized.

PACE GROUP INTERNATIONAL, INC.

Edwin T. Cornelius, Jr. — May 27, 1992

Edwin T. Cornelius, Jr., Chairman — Date

Marlys V. Matala — May 27, 1992

Marlys V. Matala, Controller — Date